

The Australian

No regrets as sugar sector takes its lumps

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Rocky Point manager David Heck, whose family has been running the sugar mill for five generations, is happy to keep the enterprise in private ownership. Picture: Lyndon Mechielsen

Source: The Australian

FIFTH-generation sugar mill operator David Heck runs one of the minnows of the industry at Rocky Point, south of Brisbane, and that's just fine by him.

It's safer to be small when overseas predators are on the prowl, gobbling up one mill after another in a buyout that has taken the level of foreign ownership in sugar crushing from virtually zero to 75 per cent in just two frenetic years.

The latest to be targeted is Maryborough Sugar, which processes three million tonnes of cane a year through four huge mills. Shares in Maryborough Sugar were yesterday placed in a trading halt and the company is expected to announce today a takeover offer from Thailand-based Mitr Phol, which owns 22 per cent of the company.

On Sunday, Proserpine Mill in north Queensland was placed in receivership after local farmers failed to agree on a takeover offer from Sucrogen, the Singapore-based company that bought out CSR's interests two years ago to become the biggest player in the field.

The 350,000 tonne production of the Rocky Point mill near Beenleigh, operated by the Heck family since 1879, is modest by comparison. Not that Mr Heck is complaining.

"We've had a couple of people come and have a look, but they don't seem to have been too serious," he said yesterday, as the market digested the latest foreign takeover move.

"The reason we survive is simply that we've worked out a good niche and can supply solely for the domestic market. But prices are pretty good at the moment and I think it'll stay that way for a while. So I think we still do have a good future."

Cane farmer Alan Otto, who supplies to the Maryborough mill, said it was the way of a globalised world.

"Whoever it is, it's not going to be an Australian company," he said. "It would always be a lot better if it could stay in Australian hands. But, look, we work in an international industry and have to take international prices. So it's better to have the overseas blokes than no one."

If ownership of Maryborough Sugar heads offshore as expected it will leave just one of the "big boys" of sugar-crushing in local hands - Mackay Sugar, whose three mills handle about four million tonnes of cane a year. The remaining eight Australian-owned mills are relatively small-scale operations, along the lines of Rocky Point.

With the smart money on Mitr Phol bidding for Maryborough Sugar, few doubt that its four mills - one in Maryborough, 260km north of Brisbane, and the others in north Queensland - will end up foreign-owned.

Chinese government-owned company COFCO, which this year purchased the giant Tully Sugar Mill, yesterday increased its offer for the Proserpine Mill, making it the most likely new owner.

The first foreign owner of Australia's sugar mills was Belgium-based Finasucre, but since 2009 there has been a rush of sales. If these deals go through only nine of Australia's 24 sugar mills will be in Australian hands.

Canegrowers Queensland chief Steve Greenwood said while investment from local companies would have been preferable the investment from overseas companies was better than none at all.

"There is a lack of recognition of the food sector as an investment opportunity by Australian investors," he said. "These overseas companies are seeing the impact of food security every day, and they are trying to establish their own food security."

World sugar prices are floating at more than \$US500 a tonne after being under \$US300 a tonne until about three years ago.
